



American Institute of Chemical Engineers
Financial Statements
(Together with Independent Auditors' Report)
Years Ended December 31, 2013 and 2012

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-18

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
American Institute of Chemical Engineers

We have audited the accompanying financial statements of the American Institute of Chemical Engineers ("AIChE"), which comprise the statements of financial position as of as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIChE as of December 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
April 7, 2014



**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012**

	2013	2012
ASSETS		
Cash and cash equivalents (Notes 2D and 14)	\$ 3,354,687	\$ 4,039,084
Investments, at fair value (Notes 2E, 3, 9A and 9C)	19,684,435	16,379,689
Other investments (Notes 2E and 9A)	-	437,281
Accounts receivable, net (Note 2F)	2,366,297	1,639,833
Prepaid expense and other (Note 11)	330,419	448,000
Pledges receivable, net (Notes 2C and 4)	42,988	62,240
Property and equipment, net (Notes 2G and 5)	2,022,852	335,254
TOTAL ASSETS	\$ 27,801,678	\$ 23,341,381
LIABILITIES		
Accounts payable	\$ 1,863,264	\$ 1,439,460
Deferred revenue - dues, subscriptions, and other (Note 2H)	4,761,161	4,338,905
Accrued expenses:		
Leasehold assignment (Note 9A)	-	67,316
Employee vacation and other benefits	375,476	303,771
Pension and other postretirement benefit costs (Notes 6 and 7)	1,873,484	3,239,634
Other (Notes 2I and 9A)	976,760	796,342
TOTAL LIABILITIES	9,850,145	10,185,428
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Unrestricted (Notes 6, 7 and 13)	16,712,315	12,054,021
Temporarily restricted (Notes 8 and 13)	471,676	383,390
Permanently restricted (Notes 8 and 13)	767,542	718,542
TOTAL NET ASSETS	17,951,533	13,155,953
TOTAL LIABILITIES AND NET ASSETS	\$ 27,801,678	\$ 23,341,381

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	For the Year Ended December 31, 2013				For the Year Ended December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
OPERATING ACTIVITY:								
REVENUE AND SUPPORT:								
Dues and other membership revenue (Note 2H)	\$ 4,481,276	\$ -	\$ -	\$ 4,481,276	\$ 4,548,435	\$ -	\$ -	\$ 4,548,435
Publications sales and subscriptions	2,429,129	-	-	2,429,129	2,663,829	-	-	2,663,829
Industry technology alliances (Note 1)	6,314,402	31,875	-	6,346,277	4,804,872	31,875	-	4,836,747
Meetings and technical programming	6,137,888	-	-	6,137,888	5,007,456	-	-	5,007,456
Education services	1,974,478	-	-	1,974,478	809,734	-	-	809,734
Financial services	729,626	-	-	729,626	739,672	-	-	739,672
AIChE Foundation - contributions (Note 1)	616,702	20,602	49,000	686,304	653,361	-	119,367	772,728
Other revenue	411,678	-	-	411,678	444,484	-	-	444,484
Net assets released from restrictions (Note 8)	49,350	(49,350)	-	-	92,571	(92,571)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	23,144,529	3,127	49,000	23,196,656	19,764,414	(60,696)	119,367	19,823,085
EXPENSES:								
Program Related:								
Membership	2,754,342	-	-	2,754,342	2,493,769	-	-	2,493,769
Publications	2,358,202	-	-	2,358,202	2,290,483	-	-	2,290,483
Industry technology alliances	5,345,805	-	-	5,345,805	4,673,998	-	-	4,673,998
Meetings and technical programming	3,362,653	-	-	3,362,653	2,709,258	-	-	2,709,258
Education services	2,290,129	-	-	2,290,129	1,491,786	-	-	1,491,786
Financial services	160,675	-	-	160,675	189,351	-	-	189,351
Other program support (Note 10)	1,151,187	-	-	1,151,187	1,084,748	-	-	1,084,748
	<u>17,422,993</u>	<u>-</u>	<u>-</u>	<u>17,422,993</u>	<u>14,933,393</u>	<u>-</u>	<u>-</u>	<u>14,933,393</u>
Supporting Services:								
General and administration	3,591,635	-	-	3,591,635	3,336,130	-	-	3,336,130
Fundraising	759,350	-	-	759,350	785,488	-	-	785,488
	<u>4,350,985</u>	<u>-</u>	<u>-</u>	<u>4,350,985</u>	<u>4,121,618</u>	<u>-</u>	<u>-</u>	<u>4,121,618</u>
TOTAL OPERATING EXPENSES	21,773,978	-	-	21,773,978	19,055,011	-	-	19,055,011
Change In Net Assets From Operations	1,370,551	3,127	49,000	1,422,678	709,403	(60,696)	119,367	768,074
NON-OPERATING ACTIVITY:								
Investment return, net (Notes 3 and 13)	2,181,714	85,159	-	2,266,873	2,024,836	81,357	-	2,106,193
Pension related changes other than net periodic pension cost (Note 6)	1,559,802	-	-	1,559,802	6,429	-	-	6,429
Postretirement related changes other than net periodic postretirement cost (Note 7)	(291,938)	-	-	(291,938)	86,670	-	-	86,670
Office relocation costs	(161,835)	-	-	(161,835)	-	-	-	-
TOTAL NON-OPERATING ACTIVITY	3,287,743	85,159	-	3,372,902	2,117,935	81,357	-	2,199,292
CHANGE IN NET ASSETS	4,658,294	88,286	49,000	4,795,580	2,827,338	20,661	119,367	2,967,366
Net assets - beginning of year	12,054,021	383,390	718,542	13,155,953	9,226,683	362,729	599,175	10,188,587
NET ASSETS - END OF YEAR	\$ 16,712,315	\$ 471,676	\$ 767,542	\$ 17,951,533	\$ 12,054,021	\$ 383,390	\$ 718,542	\$ 13,155,953

The accompanying notes are an integral part of these financial statements.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,795,580	\$ 2,967,366
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(1,931,085)	(1,721,946)
Depreciation and amortization	162,637	104,258
Bad debt expense	31,110	10,281
Subtotal	3,058,242	1,359,959
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(757,574)	45,404
Prepaid expenses and other	117,581	(143,081)
Pledges receivable	19,252	18,258
Increase or (decrease) in liabilities:		
Accounts payable	423,804	568,372
Deferred revenue	422,256	655,914
Accrued expenses:		
Leasehold assignment	(67,316)	(84,748)
Employee vacation and other benefits	71,705	2,287
Pension and other postretirement benefit costs	(1,366,150)	(392,940)
Other	180,418	(287,676)
Net Cash Provided by Operating Activities	2,102,218	1,741,749
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,872,851)	(1,179,453)
Proceeds from the sale of investments	2,936,471	761,949
Purchases of property and equipment	(1,850,235)	(201,583)
Net Cash Used in Investing Activities	(2,786,615)	(619,087)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(684,397)	1,122,662
Cash and cash equivalents - beginning of the year	4,039,084	2,916,422
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,354,687	\$ 4,039,084

The accompanying notes are an integral part of these financial statements.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The American Institute of Chemical Engineers (“AIChE”) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. AIChE serves chemical engineers throughout the world. AIChE fosters and disseminates chemical engineering knowledge, supports professional and personal growth of its members, and applies the expertise of its members to address societal needs throughout the world. AIChE offers its members publications, meetings and technical programming. These products and services promote excellence in chemical engineering education and global practice, advance the development and exchange of relevant knowledge, and enhance the lifelong career development of chemical engineers. Through its Industry Technology Alliances (which provides AIChE with contributions), AIChE stimulates collaborative efforts among industry, universities, government and professional societies.

AIChE’s Foundation, which is not separately incorporated, seeks to solicit additional financial support for AIChE’s programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Use of Estimates*

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. *Basis of Presentation*

AIChE maintains its net assets under the following three classes:

- Unrestricted – represents resources available for support of AIChE’s operations over which the Board of Directors has discretionary control. Unrestricted net assets included Board designated net assets of \$1,121,883 as of December 31, 2012. The Board designated net assets consisted of a “Facilities Reserve” fund established by AIChE’s Board of Directors. The Board designated funds, including investment income earned on those funds, were to be used as approved by the Board (see Note 13). The “Facilities Reserve” fund was fully utilized by AIChE in 2013 in conjunction with the relocation of AIChE’s headquarters to new office space (see Note 9A).
- Temporarily restricted – represents assets that are subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted – represents assets that must remain intact in perpetuity.

C. *Contributions and Pledges Receivable*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Cash Equivalents*

AIChE considers highly liquid debt instruments with a maturity of three months or less when acquired to be cash equivalents, with the exception of cash and those short-term investments managed by AIChE's investment managers for long-term investment purposes.

E. *Investments and Fair Value Measurements*

Investments are reported at fair value based upon quoted market value. Certificates of deposit held for investments that are not debt securities are included in other investments in the statements of financial position. Investments in certificates of deposit are carried at cost, which approximates fair value because of the short maturities of the certificates of deposit. Securities transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on a specific identification basis and are included in investment activity in the statements of activities. Interest income is recognized when earned and dividends are recorded on the ex-dividend date.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 3.

F. *Allowance for Uncollectible Accounts Receivable*

As of December 31, 2013 and 2012, AIChE determined that an allowance of approximately \$56,000 and \$35,000, respectively, should be provided for accounts receivable. Such an estimate is based on management's assessment of the aged basis of its funding sources, creditworthiness of its donors, funding sources and customers, current economic conditions and historical information.

G. *Property and Equipment*

Property and equipment is stated at cost and depreciated using the straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease. AIChE capitalizes all assets with a cost of \$5,000 or more and a useful life of more than one year.

H. *Revenue Recognition*

Dues and subscriptions are billed in the year prior to which they apply. Dues and subscriptions collected in the year of billing represents revenue for the following year and therefore are recorded as deferred revenue. Accounts receivable for dues and subscriptions are not recorded until the year in which they become due. Discounted dues payments collected in the year subsequent to billing are recognized as deferred revenue and applied to future dues billings.

I. *Straight-Lining of Rent Expense*

Rent expense is recognized using the straight-line method over the term of the leases. The difference between rent expense incurred and the amount paid, which is attributable to scheduled rent increases, is reported as a liability in the accompanying statements of financial position.

J. *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Money market mutual funds	\$ 1,115,106	\$ 394,980
Equity securities – domestic	9,600	18,600
Fixed-income mutual funds	10,893,658	5,685,892
Equity mutual funds	<u>7,666,071</u>	<u>10,280,217</u>
	<u>\$ 19,684,435</u>	<u>\$ 16,379,689</u>

Investments are subject to market volatility that could change their carrying value in the near term.

Investment return consisted of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 382,795	\$ 425,105
Realized and unrealized gains	1,931,085	1,721,946
Investment fees	<u>(47,007)</u>	<u>(40,858)</u>
	<u>\$ 2,266,873</u>	<u>\$ 2,106,193</u>

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Financial assets carried at fair value at December 31, 2013 and 2012 were classified in the table below as Level 1 as follows:

	<u>2013</u>	<u>2012</u>
Investments:		
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 4,226,109	\$ 5,341,575
U.S. Small Cap	999,158	1,245,226
Diversified Foreign Equity	5,668,391	3,693,416
U.S. Core Bonds	5,227,117	4,103,672
Global Bonds	2,438,954	1,582,220
Money Market Mutual Funds	<u>1,115,106</u>	<u>394,980</u>
Total mutual funds	19,674,835	16,361,089
Equity securities – domestic	<u>9,600</u>	<u>18,600</u>
Total assets at fair value	<u>\$ 19,684,435</u>	<u>\$ 16,379,689</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In determining fair value, AIChE utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

AIChE's policy is to recognize transfers in and transfers out between fair value levels as of the beginning of the period in which the transfer takes place. During the years ended December 31, 2013 and 2012, no such transfers between fair value levels occurred.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Amounts due in:		
Less than one year	\$ 13,500	\$ 19,250
One to five years	<u>31,000</u>	<u>45,250</u>
Gross pledges receivable	44,500	64,500
Less: discount to present value at 3%	<u>(1,512)</u>	<u>(2,260)</u>
	<u>\$ 42,988</u>	<u>\$ 62,240</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 424,217	\$ 510,511	3-5 Years
Computer and office equipment	1,671,675	6,406,127	3-5 Years
Leasehold improvements	<u>112,268</u>	<u>669,879</u>	15 Years
Total cost	2,208,160	7,586,517	
Less: accumulated depreciation/amortization	<u>(185,308)</u>	<u>(7,251,263)</u>	
Net book value	<u>\$ 2,022,852</u>	<u>\$ 335,254</u>	

Depreciation and amortization expense amounted to \$162,637 and \$104,258 for the years ended December 31, 2013 and 2012, respectively. During the year ended December 31, 2013, AIChE disposed of fully depreciated property and equipment in the amount of \$7,228,592, in conjunction with the relocation to new office space (see Note 9A).

NOTE 6 – PENSION PLANS

Through December 31, 2005, AIChE had a noncontributory, defined benefit pension plan covering all full-time employees, unless the employee was covered by another retirement plan, via a collective bargaining agreement. As of December 31, 2005, AIChE froze this plan. AIChE will continue to maintain this plan for all plan participants; however, further benefits will not accrue after December 31, 2005. The benefits are based on years of service through December 31, 2005 and the employee's average pay. Average pay is defined as the highest average of basic annual pay including any overall incentive program compensation during any 36 consecutive months within the 120-month period prior to December 31, 2005. AIChE's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the plan with assets sufficient to provide benefits to plan participants.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 6 – PENSION PLANS (Continued)

AIChE maintains a qualified contributory defined contribution retirement plan pursuant to Internal Revenue Code Section 403(b) for its employees. Employees are eligible to participate after 500 hours of service in a 6-month period and upon attaining the age of 21. Under the terms of the plan, employees are entitled to defer a portion of their annual compensation within limitations established by the Internal Revenue Code ("IRC"). AIChE matches each employee's contribution, up to a maximum of 3% of annual compensation. Contributions are deemed to be vested upon completion of two years of employment. AIChE's contributions under the plan amounted to \$140,786 and \$136,375 for the years ended December 31, 2013 and 2012, respectively.

As a substitute for the defined benefit plan, which was frozen on December 31, 2005, AIChE added, effective January 1, 2006, a noncontributory element to the defined contribution retirement plan, whereby AIChE contributes an amount based on the employee's total compensation. AIChE's discretionary contributions to the 403(b) plan amounted to \$501,102 and 494,956 for the years ended December 31, 2013 and 2012, respectively.

AIChE also offers a deferred compensation arrangement under Section 457(b) of the IRC for key employees. AIChE does not make any contributions to the 457(b) plan as the 457(b) plan is entirely funded by employee contributions. AIChE had no liability relating to the 457(b) plan as of December 31, 2013 and 2012, respectively.

The funded status of the defined benefit plan as of December 31, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 10,630,033	\$ 9,639,076
Interest cost	482,915	482,741
Actuarial (gain) loss	(849,383)	774,825
Benefits paid	<u>(626,443)</u>	<u>(266,609)</u>
Benefit obligation at end of year	9,637,122	10,630,033
Fair value of plan assets	<u>9,029,460</u>	<u>8,368,487</u>
Funded status	<u>\$ (607,662)</u>	<u>\$ (2,261,546)</u>

Amounts recognized in unrestricted net assets for the pension plan consisted of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Net loss	<u>\$ (1,548,190)</u>	<u>\$ (3,107,992)</u>

The components of net periodic benefit cost for the pension plan for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Interest cost	\$ 482,915	\$ 482,741
Expected return on plan assets	(611,096)	(535,450)
Amortization of net loss	<u>213,858</u>	<u>230,253</u>
	<u>\$ 85,677</u>	<u>\$ 177,544</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 6 – PENSION PLANS (Continued)

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Net (gain) loss	\$ (1,345,944)	\$ 223,824
Amortization of net loss	<u>(213,858)</u>	<u>(230,253)</u>
Total recognized in change in unrestricted net assets	<u>\$ (1,559,802)</u>	<u>\$ (6,429)</u>
 Total recognized in net periodic pension cost and change in unrestricted net assets	 <u>\$ (1,474,125)</u>	 <u>\$ 171,115</u>

The estimated net loss for the pension plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next fiscal year is \$(63,592).

The weighted-average assumptions used to determine the benefit obligation and net periodic benefit cost for the pension plan as of and for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Discount rate used for net periodic benefit cost	4.75%	5.25%
Discount rate used for pension obligation	5.50%	4.75%
Expected return on plan assets	7.50%	7.50%

The defined benefit plan's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

AIChE does not expect to contribute to its pension plan in 2014.

The following schedule of benefit payments for the pension plan, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2014	\$ 620,537
2015	341,635
2016	347,297
2017	494,263
2018	711,535
5 years thereafter	4,104,409

The assets (expressed in percentages) for the pension plan consisted of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Equity securities	57%	59%
Debt securities	42%	37%
Cash equivalents	<u>1%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 6 – PENSION PLANS (Continued)

The fair value hierarchy defines three levels, as further described in Note 3. Pension assets carried at fair value at December 31, 2013 and 2012 are classified in the table as Level 1 as follows:

	<u>2013</u>	<u>2012</u>
Investments:		
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 1,953,342	\$ 2,553,225
U.S. Small Cap	571,066	734,985
Diversified Foreign Equity	2,659,583	1,687,705
U.S. Core Bonds	2,360,036	2,003,816
Global Bonds	1,386,065	1,078,623
Money Market Mutual Funds	<u>99,368</u>	<u>310,133</u>
Total assets at fair value	<u>\$ 9,029,460</u>	<u>\$ 8,368,487</u>

The composition of AIChE's plan assets is a target asset mix allocated 54%/46% between equity and fixed-income securities. Since the primary purpose of the plan is to provide benefits at normal retirement age, the primary goal of the investment of funds in the plan is to provide a long-term annualized investment return equivalent or superior to the plan's current discount rate, and consistently above the median performance of an appropriate peer manager universe.

In pursuing these objectives, the risk tolerance of the plan should be viewed as moderate. Volatility of annual returns, including losses in value, may be tolerated provided they are consistent with current benchmark volatility and there are reasonable expectations the plan can achieve its long-term objectives. Volatility will be reduced by assuring that the plan assets are at all times diversified by asset class, economic sector, and industry and/or market capitalization. The target asset mix is developed and periodically reviewed based on rolling three and five-year strategic investment horizons. In order to effectively maintain the benefits of diversification, actual allocation percentages are rebalanced back to the current asset target mix on a quarterly basis.

NOTE 7 – POSTRETIREMENT OTHER THAN PENSIONS

AIChE has a contributory postretirement medical and life insurance plan for all eligible employees. As of February 1, 2007, each participant will be eligible to receive benefits at age 55 with the completion of five years of service, or attainment of age 62 or age 60 in the case of a position elimination. Prior to February 1, 2007, each participant was eligible to receive benefits at age 55 and 10 years of service, or age 62 or age 60 if the position is eliminated. Employees hired after February 1, 2007 will be eligible to purchase coverage under the postretirement medical plan but will not be eligible for any subsidy from AIChE. In addition, employees hired after February 1, 2007 will not be eligible to receive postretirement life insurance benefits. Coverage for both the retiree and the spouse continues for their lifetimes, so long as required contributions are made. AIChE contributes an amount equal to the difference between the medical plan cost and the retiree's contributions for medical coverage, up to a limit of two times AIChE's contribution paid in 1995 for such coverage.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 7 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

The funded status of the plan as of December 31, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 978,088	\$ 1,123,252
Service cost	9,379	5,453
Interest cost	64,030	52,263
Plan participants' contributions	32,886	37,867
Actuarial (gain) loss	253,597	(162,529)
Benefits paid	<u>(72,158)</u>	<u>(78,218)</u>
Benefit obligation at end of year	<u>1,265,822</u>	<u>978,088</u>
Funded status	<u>\$ (1,265,822)</u>	<u>\$ (978,088)</u>

Amounts recognized in unrestricted net assets for the plan consisted of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Transition obligation	\$ (23,751)	\$ (47,500)
Prior service credit	141,328	199,552
Gain	<u>317,731</u>	<u>575,194</u>
	<u>\$ 435,308</u>	<u>\$ 727,246</u>

The components of net periodic benefit cost for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Service cost	\$ 9,379	\$ 5,453
Interest cost	64,030	52,263
Amortization of transition obligation	23,749	23,749
Amortization of prior service credit	(58,224)	(58,224)
Amortization of net gain	<u>(3,866)</u>	<u>(41,384)</u>
Net benefit cost	<u>\$ 35,068</u>	<u>\$ (18,143)</u>

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Actuarial gain	\$ 253,597	\$ (162,529)
Amortization of transition obligation	(23,749)	(23,749)
Amortization of prior service credit	58,224	58,224
Amortization of net gain	<u>3,866</u>	<u>41,384</u>
Total recognized in change in unrestricted net assets	<u>\$ 291,938</u>	<u>\$ (86,670)</u>
Total recognized in net periodic pension cost and change in unrestricted net assets	<u>\$ 327,006</u>	<u>\$ (104,813)</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 7 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

The estimated net gain, transition obligation and prior service credit for the plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next fiscal year is \$20,000, \$(24,000) and \$58,000, respectively.

The weighted-average assumptions to determine the benefit obligation and net periodic benefit cost as of and for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Discount rate used for net periodic benefit cost	4.75%	5.25%
Discount rate used for benefit obligations	5.50%	4.75%

The following schedule of benefit payments (net of expected participant contributions), which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2014	\$ 50,866
2015	56,680
2016	61,253
2017	65,173
2018	73,187
5 years thereafter	421,948

The following table presents the health care cost trend rate assumed for next year, the ultimate trend rate, and the year in which the rate reaches the ultimate rate:

Health care cost trend rate assumed for next year	6.4%
Ultimate trend rate to which the cost trend rate is	
Expected to decline	4.4%
Year that the rate reaches the ultimate trend rate	2083+

The health care cost trend rate assumption has an effect on the amounts reported for the plan. To illustrate, increasing the assumed health care cost trend rates by 1% would increase the accumulated postretirement benefit obligations by \$58,906 as of December 31, 2013, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$3,627. Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligations by \$59,506 as of December 31, 2013, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$3,481.

NOTE 8 – NET ASSETS

Temporarily restricted net assets as of December 31, 2013 and 2012 were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Industry technology alliances	\$ 196,835	\$ 214,310
Other programs	65,289	65,289
AICHE Foundation – award programs and other	20,602	-
Unappropriated earnings on endowment - time restricted (see Note 13)	<u>188,950</u>	<u>103,791</u>
	<u>\$ 471,676</u>	<u>\$ 383,390</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 8 – NET ASSETS (Continued)

Permanently restricted net assets as of December 31, 2013 and 2012 were restricted to investments in perpetuity and consisted of the following:

	<u>2013</u>	<u>2012</u>
Award programs for scholastic achievement	\$ 491,175	\$ 491,175
Educational and professional development	238,367	206,367
Public and government outreach and other	<u>38,000</u>	<u>21,000</u>
	<u>\$ 767,542</u>	<u>\$ 718,542</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended December 31, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Industry technology alliances	<u>\$ 49,350</u>	<u>\$ 92,571</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. *Lease Commitments*

On January 5, 2004, AIChE entered into an agreement (the "Sublease"), which assigned its remaining interest in its office space lease of 44,000 square feet in New York City and simultaneously subleased 11,500 square feet of the space from the assignee. However, under the terms of the Sublease, which expired in August 2013, AIChE remained secondarily liable for all obligations in the original lease, except for maintaining a security deposit with the original landlord.

During the year ended December 31, 2003, AIChE accrued the costs and loss associated with this transaction. The costs, which totaled \$3,643,000, were comprised of transaction costs, adjustments in the value of leasehold improvements and furniture, rent and construction allowances. During the years ended December 31, 2013 and 2012, AIChE paid approximately \$85,000 and \$67,000, respectively, in total of these accrued expenses. As of December 31, 2012, AIChE maintained a letter of credit of \$420,000 from Citibank to secure its rental obligation, as well as other obligations, which were due under the terms of the Sublease. The letter of credit was secured by a certificate of deposit which was classified as other investments in the accompanying financial statements. The letter of credit expired in August 2013 upon the expiration of the Sublease and the certificate of deposit that collateralized the letter of credit was redeemed by AIChE.

In conjunction with the expiration of the Sublease in 2013, AIChE entered into a lease agreement for the rental of office space in New York City in April 2013. The lease agreement is for a term of fifteen years commencing in August 2013. There is a one-time renewal option to extend the term of the lease for an additional five years. The lease agreement also provides for a free rental period commencing on the commencement date. In addition, tax abatements will reduce the base rents by approximately \$70,000 per year. In addition to the base monthly rent, AIChE will be required to pay additional rent for its share of operating expense escalations.

As of December 31, 2013, AIChE substituted an irrevocable standby letter of credit in the amount of \$288,855 in lieu of a security deposit for its office lease in New York. The letter of credit expires in April 2029 and is secured by mutual funds and money market funds owned by AIChE and held at the financial institution that issued the letter of credit.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

During 2009, AIChE entered into a lease agreement for the rental of office space in Connecticut. The lease was for a four-year term commencing in August 2009 and expiring in August 2013. The annual base rent and service charges were approximately \$31,000 over the lease term. In 2013, this lease agreement was renewed for an additional four years commencing in September 2013 and expiring in August 2017 with annual base rent charges of approximately \$32,000 over the lease term.

Rent credits and charges are accounted for on a straight-line basis over the life of the lease. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position. Included in other accrued expenses in the accompanying statement of financial position is a liability of \$203,302 as of December 31, 2013, related to deferred rent under the straight-line method of accounting.

Minimum future lease payments under the lease agreements for the years subsequent to December 31, 2013 are approximately as follows:

2014	\$ 387,000
2015	539,000
2016	540,000
2017	529,000
2018	507,000
Thereafter	<u>6,111,000</u>
	<u>\$ 8,613,000</u>

Rent expense, including real estate taxes and porters' wage escalation charges, for the years ended December 31, 2013 and 2012 amounted to approximately \$599,000 and \$598,000, respectively.

B. *Meeting Commitments*

In the ordinary course of business, AIChE has entered into contracts with hotels for meetings scheduled to occur between 2014 and 2018. In connection with the contracts, AIChE commits to a block of hotel rooms. AIChE is subject to cancellation penalties, which increase as the meeting dates approach. Cancellation penalties for meetings scheduled for 2014 are covered under AIChE's insurance policies. In the unlikely event AIChE had to cancel all the meetings, scheduled between 2014 and 2018 under contract as of December 31, 2013, it would incur approximately \$2,286,000 in cancellation charges. AIChE is subject to negotiable penalties in the event meeting attendees do not utilize the rooms.

C. *Line of Credit*

In September 2012, AIChE opened a line of credit with a financial institution. The line of credit has a maximum borrowing amount of \$1,500,000 and expires on September 30, 2014. Borrowings are secured by mutual funds and money market funds owned by AIChE and held at the financial institution. Interest is at the one-month London Interbank Offered Rate ("LIBOR") plus 2%. As of December 31, 2013 and April 7, 2014, there were no borrowings.

D. *Uncertainty in Income Taxes*

AIChE had no uncertain tax positions as of December 31, 2013 and 2012 in accordance with Accounting Standards Codification ("ASC") Topic 740 "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions. AIChE is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before December 31, 2010.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 10 – OTHER PROGRAM SUPPORT

Other program support reflects the decision by the Board of Directors that certain operations should be supported from surpluses from self-supporting operations, other operating revenues, and a portion of investment return. Certain other amounts, as approved by the Board of Directors, are also available for operating purposes. The supported programs included the following for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Subsidized activities include the governance of AIChE, public and governmental outreach programs, and support for the chemical engineering profession	\$ <u>1,151,187</u>	\$ <u>1,084,748</u>

NOTE 11 – RECEIVABLE FROM CHARITABLE REMAINDER TRUSTS

AIChE is the beneficiary of remainder interests in certain charitable trusts. Upon the expiration of the trust terms (defined as the death of the surviving beneficiaries), AIChE shall receive the trusts' assets, which consists of certain equity securities and real estate. As of December 31, 2013 and 2012, the value of the interest in the charitable remainder trusts was determined by estimating the future value of the trusts' assets as of the expiration of the trusts' terms and calculating the present value of those amounts at a discount rate of 3%, respectively, per annum. As of December 31, 2013 and 2012, the present value of AIChE's share of the trusts was \$116,732 and \$92,465, respectively, and is included in prepaid expenses and other assets in the accompanying financial statements. The fair value of the trusts' assets amounted to approximately \$366,000 and \$221,000, respectively, as of December 31, 2013 and 2012.

NOTE 12 – PUBLISHING AGREEMENTS

A. In November 2003, AIChE entered into a five-year publishing agreement (the "Publishing Agreement") with a commercial publisher (the "Publisher") with respect to three of AIChE's journals (the "Journals") currently published by AIChE. Under the terms of the Publishing Agreement, beginning in January 2004, the Publisher has the exclusive right and sole responsibility for the marketing, sales, print and electronic distribution of the journals. AIChE remains solely responsible for providing and paying editors and, in consultation with the Publisher, establishing editorial policy. Under the terms of the contract, AIChE has been guaranteed a minimum annual royalty plus additional royalties if the Publisher's revenues exceed predetermined levels.

In June 2007, the Publishing Agreement was amended to remain in effect until completion of the publication of all 2017 issues of the Journals. In addition, the Publisher provided AIChE with a \$2 million unrestricted, non-recoupable royalty payment.

B. In February 2005, AIChE entered into a four-year book publishing agreement (the "Book Publishing Agreement") with the same commercial publisher to co-develop approximately 8-15 new works each year. The Book Publishing Agreement shall be automatically renewed for additional three-year terms unless either party gives notice of intent to terminate the agreement at least six months prior to the expiration of the then current term. Under the terms of the Publishing Agreement, beginning in February 2005, the Publisher has the exclusive right and sole responsibility for the marketing, sales, print and electronic distribution of the works. AIChE remains solely responsible for providing and paying editors and, in consultation with the Publisher, establishing editorial policy. Under the terms of the contract, AIChE received a nonrefundable non-recoupable advance. In addition, AIChE has been guaranteed a minimum annual royalty plus additional royalties if the publisher's revenues exceed predetermined levels. The minimum annual royalty is paid at the beginning of each additional year of the term provided that at least six works were published in the preceding year.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 13 – ENDOWMENT NET ASSETS

The Board of AIChE recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) on September 17, 2010. NYPMIFA replaced the prior law which was the Uniform Management of Institutional Funds Act (“UMIFA”). In addition, NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

The Board explicitly appropriated all earnings as of and prior to September 17, 2010, whether deemed spent or not, as unrestricted. All unappropriated earnings on donor-restricted endowment funds after September 17, 2010, that would otherwise be considered unrestricted by the donor, are reflected as temporarily restricted until appropriated.

AIChE’s Board has interpreted NYPMIFA as allowing AIChE to appropriate for expenditure or accumulate so much of an endowment fund as AIChE determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

As a result of this interpretation, AIChE has not changed the way permanently restricted net assets are classified. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The policy for valuing AIChE’s investments is described in Note 2E. In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires AIChE to retain in perpetuity is to be reported in unrestricted net assets. AIChE has not incurred such deficiencies in its endowment funds as of December 31, 2013 and 2012.

AIChE’s endowment investment policy is to invest 55% of assets into fixed-income mutual funds and cash equivalents, and 45% into equity mutual funds based on an asset allocation with the objective of capital appreciation.

Changes in endowment net assets for year ended December 31, 2013 were as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
Investment activity:				
Interest and dividends	\$ 14,010	\$ 13,879	\$ -	\$ 27,889
Realized/unrealized gains (losses) on investments	<u>(43,943)</u>	<u>71,280</u>	<u>-</u>	<u>27,337</u>
Total investment activity	<u>(29,933)</u>	<u>85,159</u>	<u>-</u>	<u>55,226</u>
Contributions	-	-	49,000	49,000
Amount appropriated for expenditure	<u>(1,091,950)</u>	<u>-</u>	<u>-</u>	<u>(1,091,950)</u>
Endowment net assets, beginning of year	<u>1,121,883</u>	<u>103,791</u>	<u>718,542</u>	<u>1,944,216</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 188,950</u>	<u>\$ 767,542</u>	<u>\$ 956,492</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 13 – ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets for year ended December 31, 2012 were as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>
Investment activity:				
Interest and dividends	\$ 30,398	\$ 15,415	\$ -	\$ 45,813
Realized/unrealized gains (losses) on investments	<u>42,755</u>	<u>65,942</u>	<u>-</u>	<u>108,697</u>
Total investment activity	<u>73,153</u>	<u>81,357</u>	<u>-</u>	<u>154,510</u>
Contributions	-	-	119,367	119,367
Amount appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, beginning of year	<u>1,048,730</u>	<u>22,434</u>	<u>599,175</u>	<u>1,670,339</u>
Endowment net assets, end of year	<u>\$ 1,121,883</u>	<u>\$ 103,791</u>	<u>\$ 718,542</u>	<u>\$ 1,944,216</u>

Endowment net assets of \$956,492 and \$1,944,216, respectively, as of December 31, 2013 and 2012 are included with investments in the accompanying statements of financial position.

NOTE 14 – CONCENTRATION OF CREDIT RISK

Cash and cash equivalents that potentially subject AIChE to a concentration of credit risk include cash accounts with financial institutions that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest-bearing accounts are insured up to \$250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts were fully insured. Beginning in 2013, noninterest-bearing accounts are insured the same as interest-bearing accounts. As of December 31, 2013 and 2012, there was approximately \$3,217,000 and \$187,000, respectively, of cash and cash equivalents, held by a financial institution that exceeded FDIC limits and which represents a concentration of credit risk.

NOTE 15 – RELATED PARTY TRANSACTIONS

AIChE may transact business or contract services with, companies or individuals that may employ members of the Board of Directors or relatives of certain employees or members of the Board of Directors. The Directors or employees are not involved in the transaction process and all such transactions are reported to and approved by the Board of Directors.

Related party transactions were as follows for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Training fees	<u>\$ 35,100</u>	<u>\$ 5,000</u>

NOTE 16 – SUBSEQUENT EVENTS

AIChE has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through April 7, 2014, the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2013 through April 7, 2014, that would require adjustment to or disclosure in the accompanying financial statements.